

**SOUTHERN HOME OWNERSHIP LIMITED**

**FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2013**

**Industrial and Provident Societies Act 1965 - Registered number: 18521R  
Housing Regulator - Registered Number LH1662**

# SOUTHERN HOME OWNERSHIP LIMITED

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**SOUTHERN HOME OWNERSHIP LIMITED  
THE BOARD, SENIOR EXECUTIVES AND ADVISERS**

**The Board**

Members of the Board of Southern Home Ownership Limited at 1 July 2013:

James Hitch Chairman

Dale Meredith  
Katherine Lyons  
Hugh Stebbing  
Jane Hives (Resigned 9 July 2012)

**Senior Executives**

The senior management team of the Group at 1 July 2013:

Tom Dacey	Group Chief Executive
Rosemary Farrar	Finance Director
Dale Meredith	Development Director
Paul Smith	Operations Director

**Secretary and Registered Office**

Kathryn Worth  
Fleet House  
59-61 Clerkenwell Road  
London  
EC1M 5LA

**Independent Auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
7 More London Riverside  
London  
SE1 2RT

**Principal Bankers**

National Westminster Bank Plc  
Corporate Banking  
Second Floor, County Gate 2  
Staceys Street  
Maidstone  
Kent ME14 1ST

**SOUTHERN HOME OWNERSHIP LIMITED**  
**REPORT OF THE BOARD**  
**For the year ended 31 March 2013**

The directors present their annual report together with the audited financial statements of the company for the year ended 31 March 2013.

**Principal activities**

Southern Home Ownership Limited was incorporated as an Industrial and Provident Society in 1966 to provide accommodation for people on low incomes. It operates in London and throughout South East England, providing a range of housing services, primarily in the area of low cost home ownership.

Southern Housing Group Limited has the power to appoint the Board of Southern Home Ownership Limited. Accordingly, the financial statements of Southern Home Ownership Limited are consolidated with those of Southern Housing Group Limited.

Southern Home Ownership Limited, together with Southern Housing Group Limited, Southern Space Limited and Southern Development Services Limited comprise the Southern Housing Group (the Group). The Group financial statements are published on the Group's website, [www.shgroup.org.uk](http://www.shgroup.org.uk).

**Review of results**

The Association made a surplus on ordinary activities for the year of £23.12m during the year, compared with a surplus of £7.61m in the previous year. A gift aid payment of £18.50m (2012: £6.61m) was made to Southern Housing Group Limited. At 31 March 2013, revenue reserve carried forward amounted to £22.95m (2012: £19.09m).

The Association incurred capital expenditure of £2.0m (2012: £1.1m) during the year on the acquisition and development of properties. Open market sales totalled £27.1m (2012: £nil) on 74 properties. First tranche sales on 23 new properties were £2.45m and staircasings on 63 properties were £6.59m. Details of changes to the Association's fixed assets are shown in notes 10 and 11 of the financial statements.

**Going concern**

After reviewing the company's budget for 2013/2014, and based on normal strategic business planning and control procedures, the Board has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

**Value for money (VfM)**

VfM is a key concept embodied within our Corporate Plan for 2012-2015.

The Group has a robust budgeting process that requires all managers to operate within agreed financial parameters whilst delivering improved outcomes for residents. We concentrate on delivering and demonstrating VfM on a case by case basis rather than trying to develop a complex measurement system.

We are committed to the elimination of waste. During the past year we have re-staffed our Continuous Service Improvement (CSI) Team and worked with specialist consultants to eliminate waste from our key processes and ensure good quality outcomes for our residents.

**SOUTHERN HOME OWNERSHIP LIMITED**  
**REPORT OF THE BOARD (continued)**  
**For the year ended 31 March 2013**

**Value for money (VfM) (continued)**

The CSI team has supported a number of key projects to drive VfM improvements in areas such as recruitment and financial processes. These projects are effective at driving waste from our systems whilst improving outcomes for residents.

The Group has a small Procurement Team that provides support to managers who procure goods and services. This team is critical to obtaining good VfM from everything that the Group purchases. The team methodology includes a calculation to ensure that new contracts really will deliver improved VfM. In 2012-13 the Group procured contracts to a value of £49.3 million. Of these £33.3 million were non development EU compliant procurement projects. These projects secured measured cost savings totalling around £3.4 million which equates to around 10.5% overall. In addition the procurement team worked on smaller non EU contracts worth around £250,000 and delivered measured savings of around £75,000 equating to around 30%.

The Group sees VfM as a wider concept covering how we make the best use of our assets. All Departments operate together to ensure that we make the best use of the assets that we own.

We made significant cost savings in the year 2012-13 over the previous year. These reductions were achieved without any reduction in our quality of service.

**Future plans**

The Association's housing portfolio is now managed by other Group companies. The Company has scaled back its development of shared ownership properties to reflect the expected economic climate and changes in government regulations. Management continue to review their investment plans in light of these factors.

**The Board & Senior Executives**

The Board members and senior executives are listed on page 1. Southern Housing Group Limited holds one fully paid share of £1 in Southern Home Ownership Limited, the remainder are held by members of the Southern Housing Group Limited Board.

**Employment practices**

The Association is committed to the fair and equitable treatment of all staff through proactive, well developed policies and procedures and competent management. Staff consultation frameworks are in place which ensure staff are involved and their views heard.

The Equality and Diversity Strategy Board of Southern Housing Group Limited oversees the implementation of and compliance to the employment and wider requirements of the Equality Act (2010).

Health and Safety of employees is an employment priority with clear guidelines, responsibilities and training and advice provided by a qualified professional.

**SOUTHERN HOME OWNERSHIP LIMITED**  
**REPORT OF THE BOARD (continued)**  
**For the year ended 31 March 2013**

**STATEMENT OF BOARD'S RESPONSIBILITIES IN RESPECT OF THE BOARD'S REPORT AND THE FINANCIAL STATEMENTS**

The Board is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

The Friendly and Industrial and Provident Societies Act 1968 and registered social housing legislation require the board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable it to ensure that the financial statements comply with the Friendly and Industrial & Provident Societies Acts 1968, the Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing in England from April 2012. It has general responsibility for taking reasonable steps to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

The board is responsible for the maintenance and integrity of the society's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Corporate governance**

The Association complies with the principal recommendations of the National Housing Federation's Code of Governance:

*Internal Controls*

The Board is responsible for the Association's system of internal controls and for reviewing its effectiveness. Such a system is designed to manage, rather than to eliminate, the risk of failure to achieve business objectives. It can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Group operates ongoing processes for identifying, evaluating and managing the significant risks that it faces. They have been in place for the year to 31 March 2013 and up to the date of the approval of the Annual Report and the Financial Statements. The processes are reviewed at least annually by the Board and twice annually by the Audit Committee.

**SOUTHERN HOME OWNERSHIP LIMITED**  
**REPORT OF THE BOARD (continued)**  
**For the year ended 31 March 2013**

**Main policies established to provide effective internal control**

*Risk assessment*

The Group's objectives are established within the context of the Group's Corporate Plan. There is a process of cascading these objectives throughout the Group to each operational team and to individual staff members' targets. Assessment of resultant risk is mapped for each Group member organisation. The Group's risk management strategy includes requirements for formal risk assessments to be presented to the Board for discussion and approval.

*Control environment*

Authority, responsibility and accountability are set out in the following ways:

- Standing Orders and Delegated Authorities
- Policies and procedures manuals in all key areas
- Codes of Conduct for Board and Committee members, and for staff
- Staff job descriptions and supervisory procedures

*Information*

There is a timely system for reporting progress in the Group, at many levels. The Boards and their sub committees receive regular and extensive reports on all key areas of performance.

*Monitoring*

The Group has a comprehensive internal audit programme which encompasses the Association. It is undertaken by KPMG LLP, Chartered Accountants. The internal audit programme is designed to review key areas of risk for the Group. The internal auditors report to the Group Head of Compliance. Each audit assignment is sponsored by a senior director who approves the scope of the work and takes responsibility for ensuring that recommendations are acted upon. Group wide progress on completing work on recommendations is monitored by the Head of Compliance. KPMG meet quarterly with the Chief Executive and report to each meeting of the Group Audit Committee on their recent and prospective activity. They also meet informally with the Chair of Audit.

The risk management process incorporates reviews of high level risks across the Group, including the identification of newly emerging risks.

Both the internal audit and risk management activities incorporate follow up reporting on actions identified for improving the Association's control environment.

**Review of effectiveness**

The Board has reviewed the effectiveness of the Group's internal controls through the work of the Audit Committee, which regularly reports to the Board. In addition the Group Chief Executive has submitted to the Board a detailed report on the operation of internal controls during the period under review and up to the date of approval of this report. The Board confirms no weaknesses were found in the internal controls for the year ended 31 March 2013 which might otherwise have resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements.

**SOUTHERN HOME OWNERSHIP LIMITED**  
**REPORT OF THE BOARD (continued)**  
**For the year ended 31 March 2013**

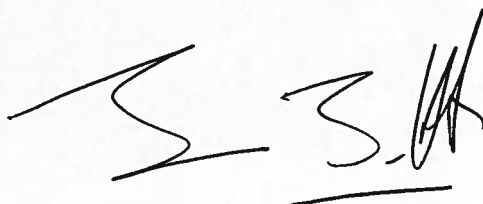
**Disclosure of information to auditors**

The Board members who held office at the date of approval of this Board report confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditors are unaware; and each Board member has taken all the steps that they ought to have taken as a Board member to make themselves aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

**Independent Auditors**

A resolution is to be proposed at the annual general meeting for the re-appointment of PricewaterhouseCoopers LLP as auditors of the Association.

James Hitch  
Chairman  
On behalf of the Board  
1 July 2013

A handwritten signature in black ink, appearing to be 'J. Hitch', written over a horizontal line.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SOUTHERN HOME OWNERSHIP LIMITED  
FOR THE YEAR ENDED 31 MARCH 2013**

We have audited the financial statements (the "financial statements") of Southern Home Ownership Limited for the year ended 31 March 2013 which comprise the Association Income and Expenditure Account, the Association Balance Sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

**Respective responsibilities of the Board and auditors**

As explained more fully in the Statement of the Board's Responsibilities set out on page 4 the Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (ISAs) (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report, including the opinions, has been prepared for and only for the association members as a body in accordance with Section 9(1) and Section 13(5) of the Friendly and Industrial and Provident Societies Act 1968 and the Housing and Regeneration Act 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**


In our opinion the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 March 2013 and of the association's income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts, 1965 to 2002, the Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing in England 2012.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts, 1965 to 2002 require us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.



Kim Green (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

10 July 2013

The maintenance and integrity of the Southern Housing Association Limited (of 'Southern Housing Group') website is the responsibility of the group board; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**SOUTHERN HOME OWNERSHIP LIMITED**  
**INCOME AND EXPENDITURE ACCOUNT**  
For the year ended 31 March 2013

	Note	2013 £000s	2012 £000s
<b>TURNOVER</b>	2	<b>36,557</b>	6,779
Operating costs	2	<u>(17,321)</u>	<u>(2,838)</u>
<b>OPERATING SURPLUS</b>		<b>19,236</b>	3,941
Profit on sale of fixed assets	5	<b>4,070</b>	3,862
Interest receivable and similar income	6	<b>175</b>	135
Interest payable and similar charges	7	<u>(360)</u>	<u>(328)</u>
<b>SURPLUS ON ORDINARY ACTIVITIES FOR THE YEAR</b>	8	<b>23,121</b>	7,610
Payment under Gift Aid to Southern Housing Group Limited		<u>(18,497)</u>	<u>(6,610)</u>
<b>Surplus before taxation</b>		<b>4,624</b>	1,000
Tax on surplus on ordinary activities	9	<u>(767)</u>	<u>(260)</u>
<b>SURPLUS FOR THE YEAR</b>		<u><b>3,857</b></u>	<u>740</u>

The notes on pages 10 to 24 form part of these financial statements.

There were no other surpluses or deficits in the current or prior years other than as disclosed in the above Income and Expenditure Account.

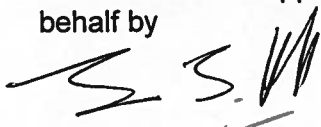
There is no material difference between the surplus on ordinary activities before taxation and the surplus for the financial year stated above and their historical costs equivalents.

The turnover and operating surplus for the current and prior years relate to continuing activities.

**SOUTHERN HOME OWNERSHIP LIMITED**  
**BALANCE SHEET**  
As at 31 March 2013

	Note	2013 £000s	2012 £000s
<b>TANGIBLE FIXED ASSETS</b>			
Housing properties at cost less depreciation	10	95,122	95,793
Less: Social Housing Grant and other grants	10	<u>(49,956)</u>	<u>(51,372)</u>
Net book value of housing properties		45,166	44,421
Other tangible fixed assets	11	<u>374</u>	<u>381</u>
<b>Total tangible fixed assets</b>		<b>45,540</b>	<b>44,802</b>
<b>INVESTMENTS</b>			
Investment in subsidiary	12	-	-
Homebuy and starter home initiatives		8,871	9,200
Less: Social Housing Grant		<u>(8,414)</u>	<u>(8,698)</u>
		<b>45,997</b>	<b>45,304</b>
<b>CURRENT ASSETS</b>			
Stock of homes for resale	13	3,176	14,309
Debtors	14	4,822	4,367
Cash at bank and in hand		<u>33,370</u>	<u>7,473</u>
		<b>41,368</b>	<b>26,149</b>
<b>CREDITORS: Amounts falling due within one year</b>	15	<u>(23,461)</u>	<u>(12,892)</u>
<b>NET CURRENT ASSETS</b>		<u><b>17,907</b></u>	<u><b>13,257</b></u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><b>63,904</b></u>	<u><b>58,561</b></u>
<b>CREDITORS: Amounts falling due after more than one year</b>			
Housing loans	16	37,639	37,655
Recycled capital grant fund	17	3,316	1,814
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	-	-
Revenue reserve	19	22,949	19,092
		<u><b>63,904</b></u>	<u><b>58,561</b></u>

The notes on pages 10 to 24 form part of these financial statements. The financial statements were approved at a meeting of the Board on 1 July 2013 and signed on its behalf by



James Hitch  
Chairman



Paul Rees  
Board Member



Kathryn Worth  
Secretary

**SOUTHERN HOME OWNERSHIP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2013**

**1. Principal accounting policies**

The financial statements have been prepared in accordance with applicable Generally Accepted Accounting Standards in the UK, the Statement of Recommended Practice "Accounting by Registered Social Landlords" update as issued in 2010, the Accounting Direction for Social Housing in England from April 2012, and on the historical cost basis. The accounting policies have been consistently applied. A summary of the more important accounting policies is set out below.

**Going concern**

The Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

**Turnover**

Turnover represents rental and service charge income receivable from properties owned by the Association and those managed for third parties, fees receivable (excluding VAT) when they fall due; and revenue grants from the public bodies are credited to the Income and Expenditure Account in the same period as the expenditure to which they relate. It also includes receipts from the sale of the 1<sup>st</sup> tranche of shared ownership properties and proceeds from the sale of properties developed for the open market which are recognised on legal completion.

**Service Charges**

The Group operates both fixed and variable service charges on a scheme by scheme basis in full consultation with residents. The service charges on all schemes are set on the basis of budgets. Where variable service charges are used the budget will include an allowance for the surplus or deficit from prior years, with a surplus being returned to residents in the form of a reduced charge for the year and a deficit being recovered via a higher service charge or by alternative methods if the contract allows. Until these surpluses are returned they are held on the balance sheet as a creditor and a deficit is held as a debtor.

**Housing Properties**

Housing properties are held at cost less the amount of grants received towards their costs and depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest capitalised during the development period, and directly attributable administration costs.

Housing properties are split between the structure and those major components which require periodic replacement. Replacement or restoration of such major components is capitalised and depreciated over the average estimated useful life which has been set taking into account professional advice, the Group's asset management strategy and the requirements of the Decent Homes Standard.

Works to existing properties which result in an increase in the net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements. Examples would be work that results in an increase in rental income, a reduction in future maintenance costs or a significant extension of the useful economic life of the property.

**SOUTHERN HOME OWNERSHIP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 March 2013**

**Housing Properties (continued)**

Housing properties in the course of construction are held at cost and are not depreciated. They are transferred to completed properties when ready for letting or sale. Capitalisation of development costs ceases at practical completion including the accrual of known costs at that time and all subsequent costs are expensed. It is Group policy to ensure resident shared owners meet their obligations of maintaining the property in a continuous state of sound repair and the Group considers that any depreciation calculation based on the property's current value would be insignificant, due to the large residual values and long economic lives.

**Depreciation and impairment**

Freehold land is not subject to depreciation. Depreciation is charged on a straight-line basis over the useful economic lives of fixed assets to write off the cost less estimated residual values at the following useful economic lives:

Housing properties held for letting:

Structure	100 years
Major components	
Bathroom	30 years
Heating system Gas	15 years
Heating system Electric	25 years
Kitchen	20 years
Roof (Pitched)	60 years
Roof (Flat)	20 years
Windows	30 years
Wiring	30 years

Subject to those properties held on short lease where the maximum period is that of the remaining lease.

Commercial shops	30 years
Freehold offices	between 30 and 60 years
Plant, machinery, fixtures and vehicles	between 3 and 5 years
Computer equipment	3 years

For all properties annual impairment reviews are carried out on an annual basis to ensure the carrying value in the balance sheet does not exceed the recoverable amount.

**Social Housing Grant**

Where developments have been financed wholly or partly by social housing grant the cost of those developments have been reduced by the grant received and receivable. Social Housing Grant released on a sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Grant Fund or Disposal Proceeds Fund and included in the balance sheet as creditors. Social Housing Grant received in advance in respect of housing properties in the course of construction is shown as a current liability.

**SOUTHERN HOME OWNERSHIP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 March 2013**

**Other Grants**

These include grants from local authorities and other organisations. The capital costs of housing properties are stated net of grants received and receivable on these properties. Grants in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate. On disposal grants are dealt with in accordance with the terms of the original agreement.

**Stock of homes for resale**

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost comprises acquisition and development costs appropriate to the relevant stage of development including attributable overheads and interest. Net realisable value is based on estimated selling price less all further costs to completion and relevant marketing and selling costs.

**Cash flow Statement**

Under FRS 1 (revised 1996) the Association is exempt from the requirement to prepare a cash flow statement on the grounds that the parent undertaking includes the Association in its own published consolidated statement.

**Investments**

Southern Home Ownership Limited retains a stake in homes purchased through the Homebuy and Starter Home Initiative schemes. Investments in Homebuy and Starter Home Initiatives are funded through Social Housing Grant. The Association funds 6% of the stake in Starter Home Initiatives, with the remainder being funded through Social Housing Grant. Investments are held in the balance sheet at historic cost.

**Leased assets**

Rentals payable under operating leases are charged to the income and expenditure account on a straight line basis over the life of the lease.

**Taxation**

Corporation tax is chargeable on the surpluses of Southern Home Ownership Limited.

The Association forms part of the Group's registration for Value Added Tax. A proportion of the VAT incurred by the Association cannot be recovered as turnover arises from exempt activities.

**Deferred taxation**

Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

**Shared ownership first tranche sales**

Shared ownership properties are split proportionally between current assets and fixed assets, based on the first tranche proportion. First tranche proportions are accounted for as current assets and the related sales proceeds shown in turnover. The remaining elements of the SO properties are accounted for as fixed assets. Subsequent sales are treated as part disposals.

**SOUTHERN HOME OWNERSHIP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
For the year ended 31 March 2013

**2. Turnover, cost of sales, operating costs and operating surplus**

**2.A Particulars of turnover, cost of sales, operating costs and operating surplus.**

	Turnover £000s	Cost of Sales £000s	Operating costs £000s	2013 Operating surplus £000s
<b>Social housing lettings (note 2.B)</b>	6,938	-	(2,260)	4,678
<b>Other social housing activities:</b>				
Current asset property sales	2,453	(751)	-	1,702
	<b>9,391</b>	<b>(751)</b>	<b>(2,260)</b>	<b>6,380</b>
<b>Non-social housing activities</b>				
Open market sales	27,147	(14,310)	-	12,837
Commercial income	19	-	-	19
	<b>36,557</b>	<b>(15,061)</b>	<b>(2,260)</b>	<b>19,236</b>
				2012
	Turnover £000s	Cost of Sales £000s	Operating costs £000s	Operating surplus £000s
<b>Social housing lettings (note 2B)</b>	6,759	-	(2,838)	3,921
	<b>6,759</b>	<b>-</b>	<b>(2,838)</b>	<b>3,921</b>
<b>Non-social housing activities</b>				
Commercial income	20	-	-	20
	<b>6,779</b>	<b>-</b>	<b>(2,838)</b>	<b>3,941</b>

**SOUTHERN HOME OWNERSHIP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
For the year ended 31 March 2013

**2. Turnover, cost of sales, operating costs and operating surplus (continued)**

**2.B Particulars of income and expenditure from social housing lettings.**

	Intermediate Rent £000s	Shared ownership £000s	2013 Total £000s	2012 Total £000s
Rent receivable net of identifiable service charges	454	5,132	<b>5,586</b>	5,503
Service charges receivable	15	1,337	<b>1,352</b>	1,256
<b>Turnover from social housing lettings</b>	<b>469</b>	<b>6,469</b>	<b>6,938</b>	<b>6,759</b>
Management	(29)	(1,030)	<b>(1,059)</b>	(1,660)
Service charge costs	(22)	(775)	<b>(797)</b>	(645)
Routine maintenance	(320)	-	<b>(320)</b>	(327)
Planned and Cyclical maintenance	(15)	-	<b>(15)</b>	(1)
Bad Debts	1	16	<b>17</b>	(116)
Depreciation	(86)	-	<b>(86)</b>	(89)
Other costs	-	-	-	-
<b>Operating costs on social housing lettings</b>	<b>(471)</b>	<b>(1,789)</b>	<b>(2,260)</b>	<b>(2,838)</b>
<b>Operating surplus on social housing lettings</b>	<b>(2)</b>	<b>4,680</b>	<b>4,678</b>	<b>3,921</b>
<b>Void losses</b>	<b>2</b>	<b>-</b>	<b>2</b>	<b>13</b>

Major repairs are included in planned and cyclical maintenance.



**SOUTHERN HOME OWNERSHIP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
For the year ended 31 March 2013

**3. Directors' emoluments**

No member of the Board received any remuneration for their role as member of the Board of Southern Home Ownership Limited during the year (2012: £nil). No expenses were reimbursed to members of the Board during the year (2012: £nil).

The Group Chief Executive and the senior management team are employed by Southern Housing Group Limited, with whom administration costs are shared; the relevant emoluments are dealt with in the financial statements of that organisation.

**4. Employee Information**

	2013 FTE	2012 FTE
Monthly average number of full-time equivalent employees (FTE = 35 hours per week)	1	1
	2013 £000s	2012 £000s
Staff costs (for the above employees)		
Wages and salaries	37	35
Social security costs	3	3
Other pension costs	16	15
	56	53

**5. Profit on sale of assets**

	Staircasing £000s	Other Property Sales £000s	Homebuy & SHI £000s	2013 £000s	2012 £000s
Sale proceeds	6,587	44	446	7,077	7,734
Cost of sales	(2,591)	-	(388)	(2,979)	(3,828)
Incidental sale expenses	(28)	-	-	(28)	(44)
	3,968	44	58	4,070	3,862

**SOUTHERN HOME OWNERSHIP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
For the year ended 31 March 2013

**6. Interest receivable and similar income**

	2013 £000s	2012 £000s
Interest and dividend income receivable from unlisted investments and bank deposits	<u>175</u>	<u>135</u>

**7. Interest payable and similar charges**

	2013 £000s	2012 £000s
On loans	476	417
Less: interest payable capitalised	(116)	(89)
	<u>360</u>	<u>328</u>

**8. Surplus on ordinary activities for the year before tax**

	2013 £000s	2012 £000s
Surplus on ordinary activities for the year is stated after charging:		
Depreciation:		
Housing land & buildings	79	76
Other tangible fixed assets	7	7
Net Book Value of components written off	-	6
Auditors' remuneration	16	14

**SOUTHERN HOME OWNERSHIP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 March 2013**

**9. Tax on surplus on ordinary activities**

UK Corporation tax	2013 £000s	2012 £000s
Current tax at 24% (2012 : 26%)	<u>767</u>	-
<p>The current tax charge for the year is lower (2012: lower) than the standard rate of corporation tax in the UK. The differences are explained below.</p>		
Current tax reconciliation		
Surplus on ordinary activities	<u>4,624</u>	1,000
Current tax at 24% (2012: 26%)	1,110	260
Effects of:		
Release of 2012 over provision	(260)	-
Expenses deductible for tax purposes	(23)	-
Indexation allowances in period	(81)	-
Depreciation in the year in excess of capital allowances	<u>21</u>	-
Total current tax charge (see above)	<u>767</u>	260

**Factors that may affect future tax charges**

From 1 April 2013 the rate of UK corporation tax that was enacted at the balance sheet date was 23%. It is expected that the corporation tax rate will change to 21% over the following two years. There are no other factors that may significantly affect future tax charges.

The overprovision of tax calculated for 2012 was released following review of the tax computation.

**SOUTHERN HOME OWNERSHIP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
For the year ended 31 March 2013

**10. Tangible fixed assets: housing properties**

	Intermediate Rent housing properties	Shared Ownership housing properties	Shared Ownership housing properties under construction	Total
	£000s	£000s	£000s	£000s
<b>Cost</b>				
At 1 April 2012	4,993	89,248	2,001	96,242
Additions: new properties	-	219	1,890	2,109
Transfer to Stock	-	-	(110)	(110)
Schemes completed	-	1,910	(1,910)	-
Disposals	-	(2,591)	-	(2,591)
At 31 March 2013	4,993	88,786	1,871	95,650
<b>Social Housing Grant</b>				
At 1 April 2012	1,431	47,480	1,176	50,087
Schemes completed	-	1,176	(1,176)	-
Additions	-	-	-	-
Transfer to RCGF	-	(1,416)	-	(1,416)
At 31 March 2013	1,431	47,240	-	48,671
<b>Other Grants</b>				
At 1 April 2012	-	1,285	-	1,285
At 31 March 2013	-	1,285	-	1,285
<b>Depreciation</b>				
At 1 April 2012	449	-	-	449
Charge for year	79	-	-	79
At 31 March 2013	528	-	-	528
<b>Net Book Value</b>				
At 31 March 2013	3,034	40,261	1,871	45,166
At 31 March 2012	3,113	40,483	825	44,421

**SOUTHERN HOME OWNERSHIP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
For the year ended 31 March 2013

**10. Tangible fixed assets: housing properties (continued)**

Housing properties comprise:

	<b>2013</b>	<b>2012</b>
	<b>£000s</b>	<b>£000s</b>
Freehold	<b>64,198</b>	64,790
Long leasehold	<b>31,452</b>	31,452
	<b>95,650</b>	<b>96,242</b>

Short term leasehold £nil (2012:nil)

Total Social Housing Grant received or receivable to date is as follows:

	<b>2013</b>	<b>2012</b>
	<b>£000s</b>	<b>£000s</b>
SHG and other capital grants deducted from:		
Housing properties at cost	<b>49,956</b>	51,372
Homebuy and starter home initiative	<b>8,414</b>	8,698
	<b>58,370</b>	<b>60,070</b>

Additions to housing properties during the year included capitalised interest payable of £116,000 (2012: £89,000). The total amount of cumulative interest capitalised is not separately identifiable. Total expenditure on works to existing properties during the year amounted to £335,000 (2012: £331,000) of which £nil (2012: £3,000) was capitalised. There are fixed charges on 1,018 housing units.

All owned stock is now managed by other group members as follows:

	<b>2013</b>	<b>2012</b>
	<b>Units</b>	<b>Units</b>
By other group members:		
Shared ownership	<b>1,855</b>	1,836
Intermediate rent	<b>53</b>	53
Total social housing	<b>1,908</b>	<b>1,889</b>

Unit Numbers for 2012 have been re-stated to reflect the full range of revenue generating residential units owned by the association.

**SOUTHERN HOME OWNERSHIP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
For the year ended 31 March 2013

**11. Other tangible fixed assets**

	Freehold properties
	£000s
<b>Cost</b>	
At 1 April 2012	406
At 31 March 2013	<u>406</u>
<b>Depreciation</b>	
At 1 April 2012	25
Charge for year	7
At 31 March 2013	<u>32</u>
<b>Net Book Value</b>	
At 31 March 2013	<u>374</u>
At 31 March 2012	<u>381</u>

**12. Investment in subsidiary**

Southern Housing Home Ownership Limited has a majority shareholding in the following companies incorporated in England, all of which were dormant during the year:

Company	% OF ORDINARY SHARES HELD	
	2013	2012
Riverside Close Management Ltd	68	68
Rolvenden Amenity Ltd	79	79
Cheriton Road Management Company Ltd	75	75
	<b>2013</b>	<b>2012</b>
	£	£
Cost and net book value	<u>218</u>	<u>218</u>

The directors believe that the carrying value of the investments is supported by their underlying net assets.

**SOUTHERN HOME OWNERSHIP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
For the year ended 31 March 2013

**13. Stock of homes for resale**

	2013 £000s	2012 £000s
Properties under construction	-	14,309
Completed properties	<u>3,176</u>	<u>-</u>
	<u><u>3,176</u></u>	<u><u>14,309</u></u>

**14. Debtors**

	2013 £000s	2012 £000s
Due within one year:		
Arrears of rent and service charges	301	281
Less: provision for bad and doubtful debts	<u>(169)</u>	<u>(186)</u>
	132	95
Other debtors	4,652	4,263
Prepayments and accrued income	<u>38</u>	<u>9</u>
	<u><u>4,822</u></u>	<u><u>4,367</u></u>

At 31 March 2013, balances on bank accounts held on trust for shared owners totalled £4,037,000 (2012: £3,522,000) and are included in other debtors.

**15. Creditors: amounts falling due within one year**

	2013 £000s	2012 £000s
Social Housing Grant received in advance	139	139
Amounts due to connected entities	16,965	7,060
Accruals	609	1,280
Corporation tax	1,027	260
Other taxation and social security	1	-
Other creditors	4,695	4,153
Housing loans	<u>25</u>	<u>-</u>
	<u><u>23,461</u></u>	<u><u>12,892</u></u>

Amounts collected from shared ownership leaseholders in respect of service charges, not yet expended, of £4,057,000 (2012: £3,523,000) are reflected above in other creditors.

**SOUTHERN HOME OWNERSHIP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
For the year ended 31 March 2013

**16. Housing loans**

	2013 £000s	2012 £000s
Housing loans falling due after one year	37,800	37,825
Loan set up cost	(161)	(170)
Net housing loans	<u>37,639</u>	<u>37,655</u>

Housing loans are all secured by specific charges on 1,018 housing units and are repayable in instalments due as follows:

	2013 £000s	2012 £000s
In one year or less	25	-
Between one and two years	50	25
Between two and five years	1,205	745
In five years or more	36,545	37,055
	<u>37,825</u>	<u>37,825</u>

Housing loans bear variable rates on a margin above the London Inter Bank Offer Rate. The final instalments fall to be repaid in the period 2035 to 2038.

**17. Recycled Capital Grant Fund**

	£000s	£000s
Balance at 1 April	1,814	347
Grant released on sales	1,712	1,620
Interest added to fund	15	5
Transfer into parent company	(225)	(158)
Recycled Capital Grant as at 31 March	<u>3,316</u>	<u>1,814</u>
Due within one year	-	-
Due in more than one year	<u>3,316</u>	<u>1,814</u>
Balance relating to the HCA	481	164
Balance relating to the GLA	2835	1,650

No funds are due for repayment.

**18. Called up share capital**

	2013 £	2012 £
Shares of £1 each issued and fully paid:		
Balance at 1 April and 31 March	<u>11</u>	<u>11</u>



**SOUTHERN HOME OWNERSHIP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
For the year ended 31 March 2013

**19. Revenue reserve**

	2013	2012
	£000s	£000s
Balance at 1 April	19,092	18,352
Surplus for year	3,857	740
As at 31 March	<u>22,949</u>	<u>19,092</u>

**20. Pension scheme information**

The Company is a member of the Southern Housing Group Pension scheme which provides benefits based on final pensionable pay. The company has 1 employee member of the scheme. The funding surplus/deficit in respect of this scheme is disclosed in the financial statements of Southern Housing Group Limited, a registered Industrial and Provident Society.

**21. Legislative provisions**

The Association is incorporated under the Industrial and Provident Societies Act 1965 (Registered number: 18521R) and registered with the Homes and Communities Agency and previously with the Housing Corporation under the Housing Act 1974 (Registered Number LH1662).

**22. Related parties**

One board member was a leaseholder during the year. Any transactions are on normal commercial terms and they are not able to use their position for personal advantage.

The Association has taken advantage of the exemptions in FRS 8 allowing no disclosure to be made in respect of related party transactions relating to regulated group companies.

Payments made to non-regulated group members on a commercial arms length basis:

	2013	2012
	£000s	£000s
Total Payments	651	642

SDSL - Design and build fees relating to construction services  
SSL - Commission relating to housing sales

**SOUTHERN HOME OWNERSHIP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 March 2013**

**23. Capital commitments**

	<b>2013</b>	<b>2012</b>
	<b>£000s</b>	<b>£000s</b>
Capital expenditure contracted but not provided for in the financial statements	<u>-</u>	<u>1,445</u>
Capital expenditure authorised but not contracted	<u><b>8,821</b></u>	<u>-</u>

Funding for these commitments can be met from existing resources.

**24. Controlling party**

The ultimate parent body and controlling party of the Company is Southern Housing Group Limited, a registered Industrial and Provident Society. The Company is not required by statute to prepare group accounts. The financial statements of the Company are included in the consolidated financial statements of Southern Housing Group Limited. A copy of the Group financial statements can be obtained from the parent company's principal place of business, which is Fleet House, 59-61 Clerkenwell Road, London EC1M 5LA.